

NIBLEY CITY

Financial Statements

For the Year Ended June 30, 2013

TABLE OF CONTENTS

	Page Number
<u>Financial Section:</u>	
Independent Auditor's Report	2
Management's Discussion and Analysis	4
<u>Basic Financial Statements:</u>	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Fund	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	18
Statement of Cash Flows – Proprietary Fund	19
Notes to Financial Statements	20
<u>Required Supplementary Information:</u>	
Budgetary Comparison Schedule – General Fund	36

(continued)

(continued)

TABLE OF CONTENTS

	Page Number
<u>Governmental Audit Report:</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38
<u>State Compliance Report:</u>	
Report on Compliance and Internal Controls Over Compliance in Accordance with the State of Utah Legal Compliance Audit Guide	41

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
Nibley City
Nibley, Utah

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nibley City, Utah (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nibley City, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* I have also issued my report dated December 16, 2013 on my consideration of Nibley's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nibley's internal control over financial reporting and compliance.

MATTHEW REGEN, CPA, PC



December 16, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Nibley City (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position (government and business-type activities) of the City increased during fiscal year 2013 by \$762,126 to a total of \$16,828,515. The governmental net position increased by \$318,467 and the business-type net position increased by \$443,659.
- The total net position (government and business-type activities) of the City consist of \$11,406,146 in capital assets, net of related debt, \$2,005,011 in restricted net position and \$3,417,358 in unrestricted net position.
- The total long-term liabilities of the City increased by \$336,660 during the fiscal year 2013. Regular principal payments were made on existing bonds and notes. However, new water revenue bonds were issued to improve the water system.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

- *The statement of net position* presents information on all of the City's position and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, there will also be a need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, parks and recreation, and public works. The business-type activities of the City include the water, sewer and storm water utilities. The government-wide financial statements can be found on pages 11 and 12 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the city's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The City has several non-major funds.

- **Proprietary funds** - The City maintains two proprietary funds, both enterprise funds, to account for its water and sewer utility operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Water Fund and Sewer Fund both meet the criteria for major fund classification.
- **Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City currently has no fiduciary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$16,828,515.

By far, the largest portion of the City's net position (68 percent) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules present summarized information from the Statement of Net Position and the Statement of Activities:

STATEMENT OF NET POSITION

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 1,965,404	1,315,838	1,094,599	3,916,060	2,846,854	3,327,714
Capital assets	<u>6,949,880</u>	<u>7,218,428</u>	<u>7,431,085</u>	<u>11,997,137</u>	<u>12,243,779</u>	<u>11,956,423</u>
Total assets	8,915,284	8,534,266	8,525,684	15,913,197	15,090,633	15,284,137
Current liab. and deferred inflows	547,749	513,794	456,999	338,392	53,699	167,517
Noncurrent liabilities	<u>-</u>	<u>67,574</u>	<u>35,120</u>	<u>7,113,825</u>	<u>7,019,613</u>	<u>7,534,696</u>
Total liabilities and deferred inflows	547,749	581,368	492,119	7,452,217	7,073,312	7,702,213
Invested in capital assets, net of debt	6,939,880	7,208,428	7,431,085	4,466,266	5,231,440	4,426,505
Restricted	561,307	482,288	398,242	1,443,704	1,661,211	2,128,498
Unrestricted	<u>866,348</u>	<u>262,182</u>	<u>204,240</u>	<u>2,551,010</u>	<u>1,124,670</u>	<u>1,026,920</u>
Total net position	\$ <u><u>8,367,535</u></u>	<u><u>7,952,898</u></u>	<u><u>8,033,567</u></u>	<u><u>8,460,980</u></u>	<u><u>8,017,321</u></u>	<u><u>7,581,923</u></u>

CHANGES IN NET POSITION

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,018,376	850,110	853,508	1,983,422	1,869,889	1,730,043
Operating grants	221,692	219,629	186,642	11,590	-	-
Capital grants	-	-	-	-	-	22,382
General revenues:						
Property taxes	405,608	386,128	357,728	-	-	-
Sales and use taxes	530,416	492,604	408,293	-	-	-
Franchise taxes	239,623	216,470	234,774	-	-	-
Other revenues	29,509	9,408	(345,259)	18,202	41,127	410,834
Total revenues	<u>2,445,224</u>	<u>2,174,349</u>	<u>1,695,686</u>	<u>2,013,214</u>	<u>1,911,016</u>	<u>2,163,259</u>
Expenses:						
General government	796,150	897,084	796,501	-	-	-
Public safety	212,272	187,250	167,493	-	-	-
Streets and public improvements	502,014	562,159	569,348	-	-	-
Sanitation	324,748	314,473	302,911	-	-	-
Parks and recreation	291,573	294,052	227,308	-	-	-
Water utility	-	-	-	646,496	591,431	588,898
Sewer utility	-	-	-	714,232	765,996	836,799
Storm water	-	-	-	102,079	82,945	81,459
Municipal Building Authority	-	-	-	106,748	35,246	9,899
Total expenses	<u>2,126,757</u>	<u>2,255,018</u>	<u>2,063,561</u>	<u>1,569,555</u>	<u>1,475,618</u>	<u>1,517,146</u>
Change in net position	318,467	(80,669)	(367,875)	443,659	435,398	646,113
Net position – beginning (07-01)	<u>7,952,898</u>	<u>8,033,567</u>	<u>8,401,442</u>	<u>8,017,321</u>	<u>7,581,923</u>	<u>6,935,810</u>
Prior period adjustment	<u>96,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position – beginning, corrected	8,049,068	8,033,567	8,401,442	8,017,321	7,581,923	6,935,810
Net position – ending (06-30)	<u>\$ 8,367,535</u>	<u>7,952,898</u>	<u>8,033,567</u>	<u>8,460,980</u>	<u>8,017,321</u>	<u>7,581,923</u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The financial reporting focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,394,644, an increase of \$506,430 from the prior year. Of this total amount \$833,337 constitutes unassigned fund balance, which is available to meet the future financial needs of the City. The remainder of the fund balance is either restricted for future capital outlays or has assigned by the Council for capital projects.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 48 percent of total general fund revenues. The two largest elements of taxes are property taxes and sales taxes. Combined, they represent 80 percent of total tax revenues and 38 percent of total general fund revenues.

The City maintains enterprise funds to account for the business-type activities of the City, namely the water and sewer utilities. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the current fiscal year the General Fund budget for revenues was \$2,074,913. The actual revenue was \$2,574,533. This resulted in a favorable variance of \$499,620 for revenue. The General Fund budget for expenditures was \$2,074,913. The actual expenditures were \$1,967,854. This resulted in a favorable variance for \$107,059 for expenditures. Overall, the City had a favorable variance for the excess of revenues over expenditures of \$606,679.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$18,853,211 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads and infrastructure (streets, sidewalks, curb and gutter, etc.). The increase in the City's investment in capital assets for the current fiscal year was \$389,976 and depreciation expense was \$857,453.

Major capital assets purchased during the fiscal year included the following:

- Machinery and equipment
- Road improvements
- Water system improvements
- Computer equipment

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt – On June 30, 2013, the City had total debt outstanding of \$7,359,000 which consists of \$7,337,000 in revenue bonds used to improve the water and sewer systems and \$22,000 of notes payable for water rights and land.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this financial report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Nibley City, 455 West 3200 South, Nibley, Utah, 84321.

BASIC FINANCIAL STATEMENTS

NIBLEY CITY
STATEMENT OF NET POSITION
JUNE 30, 2013

<u>Assets</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Pooled cash and cash equivalents	\$ 1,119,187	3,409,090	4,528,277
Receivables, net			
Taxes	439,312	-	439,312
Accounts	78,354	137,915	216,269
Intergovernmental	19,360	-	19,360
Interest	563	-	563
Other assets	-	71,438	71,438
Construction in progress	-	93,806	93,806
Fixed assets, net	6,949,880	11,903,331	18,853,211
Restricted cash and cash equivalents	<u>308,628</u>	<u>297,617</u>	<u>606,245</u>
Total assets	<u>8,915,284</u>	<u>15,913,197</u>	<u>24,828,481</u>
<u>Liabilities & Deferred Inflows of Resources</u>			
Liabilities:			
Accounts payable and accrued expenses	210,306	41,392	251,698
Other liabilities:			
Due within one year	10,000	297,000	307,000
Due within more than one year	-	7,113,825	7,113,825
Deferred inflows of resources	<u>327,443</u>	<u>-</u>	<u>327,443</u>
Total liabilities & deferred inflows	<u>547,749</u>	<u>7,452,217</u>	<u>7,999,966</u>
<u>Net Position</u>			
Investments in capital assets, net of related debt	6,939,880	4,466,266	11,406,146
Restricted:			
Highways and streets	40,738	-	40,738
Parks and recreation	267,890	-	267,890
System development	-	1,174,827	1,174,827
Debt services	-	268,877	268,877
Non-major funds	31,621	-	31,621
Capital projects	221,058	-	221,058
Unrestricted	<u>866,348</u>	<u>2,551,010</u>	<u>3,417,358</u>
Total net position	<u>\$ 8,367,535</u>	<u>8,460,980</u>	<u>16,828,515</u>

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental:							
Legislative	\$ 34,516	-	-	-	(34,516)	-	(34,516)
Judicial	62,852	81,023	-	-	18,171	-	18,171
Administration	344,876	209,619	-	-	(135,257)	-	(135,257)
Legal	7,599	-	-	-	(7,599)	-	(7,599)
Public works	140,299	261,177	-	-	120,878	-	120,878
Non-departmental	121,985	-	-	-	(121,985)	-	(121,985)
Public safety	212,272	37,142	5,260	-	(169,870)	-	(169,870)
Highways and streets	502,014	41,876	193,131	-	(267,007)	-	(267,007)
Sanitation	324,748	348,430	-	-	23,682	-	23,682
Shop	84,023	-	-	-	(84,023)	-	(84,023)
Planning and zoning	83,814	6,002	-	-	(77,812)	-	(77,812)
Parks and recreation	173,145	18,634	19,301	-	(135,210)	-	(135,210)
Community development	34,614	14,473	4,000	-	(16,141)	-	(16,141)
Total governmental activities	<u>2,126,757</u>	<u>1,018,376</u>	<u>221,692</u>	<u>-</u>	<u>(886,689)</u>	<u>-</u>	<u>(886,689)</u>
Business-type activities:							
Water fund	646,496	876,746	5,795	-	-	236,045	236,045
Sewer fund	714,232	940,488	5,795	-	-	232,051	232,051
Municipal building authority fund	106,748	43,000	-	-	-	(63,748)	(63,748)
Storm water fund	102,079	123,188	-	-	-	21,109	21,109
Total business-type activities	<u>1,569,555</u>	<u>1,983,422</u>	<u>11,590</u>	<u>-</u>	<u>-</u>	<u>425,457</u>	<u>425,457</u>
Total primary government	<u>\$ 3,696,312</u>	<u>3,001,798</u>	<u>221,692</u>	<u>-</u>	<u>(886,689)</u>	<u>425,457</u>	<u>(461,232)</u>
General revenues:							
Taxes:							
Sales and use tax				\$ 530,416	-	530,416	
Property tax				405,608	-	405,608	
Franchise and other taxes				239,623	-	239,623	
Total taxes				<u>1,175,647</u>	<u>-</u>	<u>1,175,647</u>	
Interest income				29,509	18,202	47,711	
Total general revenues				<u>1,205,156</u>	<u>18,202</u>	<u>1,223,358</u>	
Change in net position				318,467	443,659	762,126	
Net position - beginning, as originally stated				7,952,898	8,017,321	15,970,219	
Prior period adjustment				96,170	-	96,170	
Net position - beginning, as corrected				<u>8,049,068</u>	<u>8,017,321</u>	<u>16,066,389</u>	
Net position - ending				<u>\$ 8,367,535</u>	<u>8,460,980</u>	<u>16,828,515</u>	

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2013

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Pooled cash and cash equivalents	\$ 856,508	231,058	31,621	1,119,187
Receivables, net				
Taxes	439,312	-	-	439,312
Accounts	78,354	-	-	78,354
Intergovernmental	19,360	-	-	19,360
Interest	563	-	-	563
Restricted cash and cash equivalents	<u>308,628</u>	<u>-</u>	<u>-</u>	<u>308,628</u>
Total assets	<u>1,702,724</u>	<u>231,058</u>	<u>31,621</u>	<u>1,965,403</u>
 <u>Liabilities, Deferred Inflows of Resources & Fund Balance</u>				
Liabilities:				
Accounts payable and accrued liabilities	233,316	-	-	233,316
Note payable	-	10,000	-	10,000
Deferred inflows of resources	<u>327,443</u>	<u>-</u>	<u>-</u>	<u>327,443</u>
Total liabilities & deferred inflows	<u>560,759</u>	<u>10,000</u>	<u>-</u>	<u>570,759</u>
 Fund balance:				
Restricted - Impact fees	308,628	-	-	308,628
Restricted - First responders	-	-	31,621	31,621
Assigned - Capital outlay	-	221,058	-	221,058
Unassigned	<u>833,337</u>	<u>-</u>	<u>-</u>	<u>833,337</u>
Total fund balance	<u>1,141,965</u>	<u>221,058</u>	<u>31,621</u>	<u>1,394,644</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,702,724</u>	<u>231,058</u>	<u>31,621</u>	<u>1,965,403</u>

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balance for governmental funds \$ 1,394,644

Net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land and easements	\$	2,364,284	
Buildings and improvements		758,661	
Machinery and equipment		867,196	
Construction in progress		548,608	
Infrastructure		6,872,321	
Accumulated depreciation		<u>(4,461,190)</u>	<u>6,949,880</u>

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences		<u>23,011</u>	
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Net position of governmental activities \$ 8,367,535

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property taxes	\$ 405,628	-	-	405,628
Sales taxes	530,416	-	-	530,416
Restaurant tax grant	8,140	-	-	8,140
Telecom and Franchise taxes	231,483	-	-	231,483
Licenses and permits	169,652	-	-	169,652
Charges for services	648,806	-	-	648,806
Intergovernmental	233,334	-	14,595	247,929
Fines	81,023	-	-	81,023
Miscellaneous revenues	230,041	-	-	230,041
Contributions	6,500	-	131	6,631
Interest earnings	29,509	1,478	94	31,080
	<u>2,574,533</u>	<u>1,478</u>	<u>14,820</u>	<u>2,590,831</u>
Total revenues				
	<u>2,574,533</u>	<u>1,478</u>	<u>14,820</u>	<u>2,590,831</u>
Expenditures:				
Current:				
Legislative	34,516	-	-	34,516
Judicial	62,852	-	-	62,852
Administration	327,407	-	-	327,407
Legal	7,599	-	-	7,599
Elections	-	-	-	-
Public works	140,299	-	-	140,299
Non-departmental	121,986	-	-	121,986
Public safety	179,369	-	21,352	200,721
Highways and streets	327,750	83,483	-	411,233
Sanitation	324,748	-	-	324,748
Shop	84,023	11,712	-	95,735
Planning and zoning	83,814	-	-	83,814
Culture, parks and recreation	238,877	-	-	238,877
Community development	34,614	-	-	34,614
	<u>1,967,854</u>	<u>95,195</u>	<u>21,352</u>	<u>2,084,401</u>
Excess (deficiency) of revenues over expenditures				
	<u>606,679</u>	<u>(93,717)</u>	<u>(6,532)</u>	<u>506,430</u>
Other financing sources (uses):				
Transfers in	-	45,012	20,000	65,012
Transfers out	(65,012)	-	-	(65,012)
	<u>(65,012)</u>	<u>45,012</u>	<u>20,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing uses over expenditures and other financing uses				
	<u>541,667</u>	<u>(48,705)</u>	<u>13,468</u>	<u>506,430</u>
Fund balance - beginning of year, as originally stated	504,128	269,763	18,153	792,044
Prior period adjustment	96,170	-	-	96,170
	<u>600,298</u>	<u>269,763</u>	<u>18,153</u>	<u>888,214</u>
Fund balance - beginning of year, as corrected	<u>600,298</u>	<u>269,763</u>	<u>18,153</u>	<u>888,214</u>
Fund balance - end of year	\$ <u>1,141,965</u>	<u>221,058</u>	<u>31,621</u>	<u>1,394,644</u>

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balance - Total governmental funds	\$	506,430
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$352,374 exceeded capital outlays of \$187,421 in the current year.</p>		
		(164,953)
<p>The liability for compensated absences is not record in the governmental funds, but is reported in the Statement of Net Position. This is the current year change in liability, reported as an expense in the State of Activities.</p>		
		<u>(23,010)</u>
Change in net position of governmental activities	\$	<u><u>318,467</u></u>

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
JUNE 30, 2013

<u>Assets</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Municipal Building Authority</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Business- type Activities</u>
Pooled cash and cash equivalents	\$ 1,418,790	1,761,820	7,245	221,235	3,409,090
Receivables, net	51,437	79,356	-	7,122	137,915
Construction in progress	61,885	-	-	31,921	93,806
Fixed assets, net	3,787,341	6,449,276	1,577,095	89,619	11,903,331
Other assets	71,438	-	-	-	71,438
Restricted cash and cash equivalents					
Revenue bond covenants	-	34,167	-	-	34,167
System development	-	175,450	-	-	175,450
Repair reserve	-	88,000	-	-	88,000
Total assets	<u>5,390,891</u>	<u>8,588,069</u>	<u>1,584,340</u>	<u>349,897</u>	<u>15,913,197</u>
<u>Liabilities</u>					
Accounts payable and accrued liabilities	10,825	3,523	26,354	690	41,392
Non-current liabilities:					
Due within one year	76,000	205,000	16,000	-	297,000
Due in more than one year	811,480	5,467,225	819,000	16,120	7,113,825
Total liabilities	<u>898,305</u>	<u>5,675,748</u>	<u>861,354</u>	<u>16,810</u>	<u>7,452,217</u>
<u>Net Position</u>					
Investments in capital assets, net of related debt	2,961,746	657,005	742,095	105,420	4,466,266
Restricted:					
System development	25,480	1,133,227	-	16,120	1,174,827
Bond reserve	-	268,877	-	-	268,877
Unrestricted	1,505,360	853,212	(19,109)	211,547	2,551,010
Total net position	<u>\$ 4,492,586</u>	<u>2,912,321</u>	<u>722,986</u>	<u>333,087</u>	<u>8,460,980</u>

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water Fund	Sewer Fund	Municipal Building Authority	Nonmajor Enterprise Funds	Total Business- type Activities
Operating revenues:					
Services	\$ 627,799	807,088	-	105,905	1,540,792
Connection fees	37,200	-	-	-	37,200
Other operating revenues	29,347	-	43,000	17,283	89,630
Total operating revenues	<u>694,346</u>	<u>807,088</u>	<u>43,000</u>	<u>123,188</u>	<u>1,667,622</u>
Operating expenses:					
Wages and benefits	128,255	64,506	-	52,284	245,045
Current expenses	338,087	437,328	10	41,485	816,910
Depreciation	139,455	207,386	46,294	8,310	401,445
Total operating expense	<u>605,797</u>	<u>709,220</u>	<u>46,304</u>	<u>102,079</u>	<u>1,463,400</u>
Operating income (loss)	88,549	97,868	(3,304)	21,109	204,222
Non-operating income (expense):					
Interest income	6,033	10,899	-	1,270	18,202
Impact fee income	182,400	133,400	-	-	315,800
Grant income	5,795	5,795	-	-	11,590
Interest expense	(40,699)	-	(60,444)	-	(101,143)
Total non-operating income (expense)	<u>153,529</u>	<u>150,094</u>	<u>(60,444)</u>	<u>1,270</u>	<u>244,449</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	(5,012)	-	-	(5,012)
Total other financing sources (uses)	<u>-</u>	<u>(5,012)</u>	<u>-</u>	<u>-</u>	<u>(5,012)</u>
Change in net position	242,078	242,950	(63,748)	22,379	443,659
Net position - beginning of year	<u>4,250,508</u>	<u>2,669,371</u>	<u>786,734</u>	<u>310,708</u>	<u>8,017,321</u>
Net position - end of year	<u>\$ 4,492,586</u>	<u>2,912,321</u>	<u>722,986</u>	<u>333,087</u>	<u>8,460,980</u>

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water Fund	Sewer Fund	Municipal Building Authority	Nonmajor Enterprise Funds	Total Business- type Activities
<u>Cash flows from operating activities:</u>					
Receipts from customers and users	\$ 704,132	785,923	43,000	121,748	1,654,803
Payments to employees	(128,255)	(64,506)	-	(52,284)	(245,045)
Payments to suppliers	(349,581)	(435,497)	(10)	(40,842)	(825,930)
Net cash provided by operating activities	<u>226,296</u>	<u>285,920</u>	<u>42,990</u>	<u>28,622</u>	<u>583,828</u>
<u>Cash flows from non-capital financing activities</u>					
	-	-	-	-	-
<u>Cash flows from capital and related financing activities:</u>					
Purchase of capital assets	(117,689)	(20,225)	-	(1,952)	(139,866)
Increase in construction in progress	(32,593)	-	-	-	(32,593)
Impact fee income	182,400	133,400	-	-	315,800
Grant income	5,795	5,795	-	-	11,590
Transfers out	-	(5,012)	(473)	-	(5,485)
Bond proceeds	831,279	-	-	-	831,279
Principal payments on bonds	(293,340)	(205,000)	(15,000)	-	(513,340)
Interest payments on bonds	(40,699)	-	(60,444)	-	(101,143)
Net cash provided (used) in capital and related financing activities	<u>535,153</u>	<u>(91,042)</u>	<u>(75,917)</u>	<u>(1,952)</u>	<u>366,242</u>
<u>Cash flows from investing activities:</u>					
Interest on investments	6,033	10,899	-	1,270	18,202
Reclassify investments as cash and cash equivalents	-	1,134,928	-	-	1,134,928
Net cash provided by investing activities	<u>6,033</u>	<u>1,145,827</u>	<u>-</u>	<u>1,270</u>	<u>1,153,130</u>
Net increase (decrease) in cash and cash equivalent	767,482	1,340,705	(32,927)	27,940	2,103,200
Cash and cash equivalents at beginning of year	<u>651,308</u>	<u>718,732</u>	<u>40,172</u>	<u>193,295</u>	<u>1,603,507</u>
Cash and cash equivalents at end of year	<u>\$ 1,418,790</u>	<u>2,059,437</u>	<u>7,245</u>	<u>221,235</u>	<u>3,706,707</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 88,549	97,868	(3,304)	21,109	204,222
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	139,455	207,386	46,294	8,310	401,445
Change in assets and liabilities:					
Increase in accounts receivable	9,786	(21,163)	-	(1,440)	(12,817)
Decrease in accounts payable	(11,494)	1,829	-	643	(9,022)
Total adjustments	<u>137,747</u>	<u>188,052</u>	<u>46,294</u>	<u>7,513</u>	<u>379,606</u>
Net cash provided by operating activities	<u>\$ 226,296</u>	<u>285,920</u>	<u>42,990</u>	<u>28,622</u>	<u>583,828</u>

The accompanying notes are an integral part of these financial statements.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Nibley City (the City) was incorporated under the laws of the state of Utah. The City operates by ordinance under the Mayor-Council form of government and provides such services as are authorized by its charter including public safety (police and fire), highway and streets, sanitation, recreation, public improvements, planning and zoning, and general administration. In addition, the City owns and operates water and sewer utilities.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to December 1, 1989, which do not conflict with or contradict GASB pronouncements. The City has elected not to follow FASB pronouncements issued after November 30, 1989 in the preparation of these financial statements. The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City applies expenses for restricted resources first when both restricted and unrestricted net position are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Project Fund is used to account for financial resources to be used for the acquisition of capital facilities and equipment by the city.

The City reports the following major proprietary funds:

- The Water Utility accounts for the activities of the City's water production, treatment, and distribution operations.
- The Sewer Utility accounts for the activities of the City's sewer treatment operations.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$2,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible fixed assets used is charged as an expense against the City's operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	25 to 50 years
Water system and equipment	7 to 50 years
Machinery and equipment	3 to 20 years
Infrastructure	15 to 40 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

Long-term Debt

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The long-term debt consists of bonds and notes payable.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Long-term debt for the governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principle and interest are reported as expenditures. The accounting for proprietary fund long-term debt is the same as in the fund statements as in the government-wide statements.

Equity Classifications: Government-wide Financial Statements

Equity in the government-wide financial statements is classified as net position and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
- Restricted net position – Consists of net position with constraints placed on the usage whether by 1) external groups such as creditors, grantors or laws and regulations of other governments; 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Equity Classifications: Fund Financial Statements

In February 2009, GASB issued Statement No. 54 on Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2010. The statement applies only to governmental fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The governmental fund balances may be classified as follows:

- a. Non-spendable – Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted fund balances – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provision or enabling legislation, or restrictions set by creditors, grantors, or contributors.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

- c. Committed fund balance – Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City Council, likewise, formally changes the use.
- d. Assigned fund balance – Fund balances are reported as assigned when the City Council or management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance – Fund balances in the General Fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless City Council has provided otherwise in its commitment or assignment actions.

Property Taxes

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The City must adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% for \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within 60 days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the City in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, the term “cash and cash equivalents” includes all demand deposit accounts, savings accounts, or other short-term, highly-liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted position) with original maturities of three months or less to be cash equivalents.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as revenue until that time. Property taxes (previously reported as deferred revenues) are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These deferred inflows are reported on the Statement of Net Position and the Balance Sheet – Governmental Funds.

Subsequent Events

The Company has evaluated all subsequent events through December 16, 2013, the date the financial statements were available to be issued.

Note 2 – Deposits and Investments

The City follows the requirements for the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This Act requires the depositing of City’s funds in a “qualified depository”. The Act defines a “qualified depository” as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 2 – Deposits and Investments (continued)

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits may not be returned. The City does not have a formal deposit policy for custodial credit risk. The uninsured and uncollateralized portion of the City’s bank balances was \$1,442,929 on June 30, 2013.

Investments

The Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may only be conducted through qualified depositories, certified dealers or directly with the issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Service or Standards & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes and bonds; bonds, notes and other evidence of indebtedness of political subdivisions of the state; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in money market mutual fund as defined by the Act; and the Utah State Public Treasurer’s Investment Fund (PTIF).

The Utah State Treasurer’s Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act established by the Money Management Council which oversees the activities of the state treasurer and the PTIF, and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administrations fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

NIBLEY CITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

Note 2 – Deposits and Investments (continued)

The City’s investments on June 30, 2013, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u> (Less than one year)	<u>Quality Rating</u>
State of Utah PTIF	<u>\$2,691,594</u>	<u>\$2,691,594</u>	Unrated

Interest Rate Risk – Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits and fixed rate corporate obligations of 270 to 365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have remaining term to final maturity exceeding two years.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s policy for reducing its exposure to credit risk is to comply with the Act as previously discussed.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk in regard to the custody of the City’s investments.

Concentration of Credit Risk – Concentrations of credit risk is the risk of loss attributed to the magnitude of government’s investment in a single issuer. The City’s policy for reducing this risk of loss is to comply with the Rules of Money Management Council.

Note 3 – Legal Compliance – Budgets

On or before the first scheduled City council meeting in May, all agencies of the City submit requests for appropriation to the City’s financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City council for review at the first scheduled meeting in May. The City council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 3 – Legal Compliance – Budgets (continued)

within the revenues and reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the City council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that City officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 4 – Receivables

The City has property and sales taxes, accounts receivable and receivables due from other governments as of June 30, 2013 as follows:

<u>Governmental Funds:</u>	
Taxes:	
Property taxes	\$ 436,451
Franchise taxes	15,975
Total taxes receivable	<u>452,426</u>
Accounts:	
Garbage/Recycle	57,309
911 fees/Other	7,930
Interest	563
Total accounts receivable	<u>65,802</u>
Due from other governments:	
Class “C” roads – State of Utah	19,360
Total receivables – Governmental Funds	<u>\$ 537,588</u>
 <u>Water Fund:</u>	
Accounts, net of allowance for bad debt	<u>\$ 51,437</u>
 <u>Sewer Fund:</u>	
Accounts, net of allowance for bad debt	<u>\$ 79,356</u>
 <u>Storm Water Fund:</u>	
Accounts, net of allowance for bad debt	<u>\$ 7,122</u>

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 5 – Capital Assets

Capital asset changes occurring for the year ended June 30, 2013, are as follows:

	July 1, 2012	Additions	Deletions	June 30, 2013
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,364,284	21,600	-	2,385,884
Construction in Progress	503,414	-	(64,641)	438,773
Total capital assets not being depreciated	2,867,698	21,600	(64,641)	2,824,657
Capital assets being depreciated:				
Improvements & Buildings	758,661	88,235	-	846,896
Roads	6,872,321	-	-	6,872,321
Equipment	724,969	142,227	-	867,196
Total capital assets being depreciated	8,355,951	230,462	-	8,586,413
Accumulated depreciation for:				
Improvements & Buildings	(279,869)	(50,804)	-	(330,673)
Roads	(3,267,116)	(336,543)	-	(3,603,659)
Equipment	(458,236)	(68,622)	-	(526,858)
Total accumulated depreciation	(4,005,221)	(455,969)	-	(4,461,190)
Total capital assets being depreciated, net	4,350,730	(225,507)	-	4,125,223
Total governmental activities Capital assets, net	\$ 7,218,428	(203,907)	(64,641)	6,949,880

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 5 – Capital Assets (continued)

Depreciation expense was charged to functions of the City as follows:

General government	\$ 53,068
Public safety	13,136
Streets and public improvements	340,834
Parks and recreation	<u>48,931</u>
Total depreciation expense	<u>\$ 455,969</u>

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land and water rights	\$ <u>458,991</u>	<u>36,142</u>	<u>-</u>	<u>495,133</u>
Total capital assets not being depreciated	<u>458,991</u>	<u>36,142</u>	<u>-</u>	<u>495,133</u>
Capital assets being depreciated:				
Buildings	1,685,565	-	-	1,685,565
Improvements	13,092,224	53,912	-	13,146,136
Systems and equipment	<u>374,047</u>	<u>47,860</u>	<u>-</u>	<u>421,907</u>
Total capital assets being depreciated	<u>15,151,836</u>	<u>101,772</u>	<u>-</u>	<u>15,253,608</u>
Accumulated depreciation for:				
Buildings	(150,433)	(42,139)	-	(192,572)
Improvements	(3,107,840)	(328,067)	-	(3,435,907)
Systems and equipment	<u>(185,653)</u>	<u>(31,278)</u>	<u>-</u>	<u>(216,931)</u>
Total accumulated depreciation	<u>(3,443,926)</u>	<u>(401,484)</u>	<u>-</u>	<u>(3,845,410)</u>
Total capital assets being depreciated, net	<u>11,707,910</u>	<u>(299,712)</u>	<u>-</u>	<u>11,408,198</u>
Total business-type activities capital assets, net	<u>\$ 12,166,901</u>	<u>(263,570)</u>	<u>-</u>	<u>11,903,331</u>

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 6 – Long-term Debt

Long-term liability transactions for governmental activities for the fiscal year ended June 30, 2013, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Note payable	\$ 10,000	-	-	10,000	10,000
 Total governmental long-term liabilities	 \$ 10,000	 -	 -	 10,000	 10,000

Governmental Activities

Long-term debt for governmental activities consists of the following:

Note payable

\$25,000 Note payable, due in various annual installments, including interest at 4.00%, through July 2014. The note is secured by land.

\$ 10,000

The following is a summary of the annual payments to maturity:

Year Ending June 30,	Principal	Interest	Totals
2014	\$ <u>10,000</u>	<u>4,000</u>	<u>14,000</u>

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 6 – Long-term Debt (continued)

Long-term liability transactions for business-type activities for the fiscal year ended June 30, 2013, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities:</u>					
Impact Bonds	850,000	-	(15,000)	835,000	16,000
Note Payable - Other	24,000	-	(12,000)	12,000	12,000
Note Payable - Capmark	56,613	-	(56,613)	-	-
USDA	224,726	-	(224,726)	-	-
Water Bonds	-	850,000	-	850,000	64,000
State of Utah Bonds	\$ 5,857,000	-	(205,000)	5,652,000	205,000
Total business-type long-term liabilities	\$ 7,012,340	850,000	(513,340)	7,349,000	297,000

Business-type Activities

Long-term debt for business-type activities consists of the following:

Notes and bonds payable

\$850,000 Bond payable, due in various annual installments, including interest at 4.00%, through October 2042. The note is secured by land. \$ 835,000

\$36,000 Note payable, due in \$12,000 annual installments, including interest at 3.00%, through December 2013. The note is secured by water shares. 12,000

\$850,000 Bond payable, due in various semi-annual installments, including interest at 1.75%, through July 2042. The note is secured by future water billings. 850,000

\$7,739,000 Bond payable, due in various annual installments, bearing no interest, due through May 2034. The note is secured by water bonds. 5,652,000

Total \$ 7,349,000

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 6 – Long-term Debt (continued)

The following is a summary of the annual payments to maturity:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 297,000	47,715	344,715
2015	301,000	45,815	346,815
2016	303,000	43,766	346,766
2017	305,000	41,660	346,660
2018	307,000	39,488	346,488
2019-2023	1,588,000	162,519	1,750,519
2024-2028	1,150,000	119,600	1,482,600
2029-2033	1,178,000	92,480	1,270,480
2034-2038	1,211,000	59,320	1,270,320
2039-2043	709,000	18,760	727,760
Totals	\$ <u>7,349,000</u>	<u>671,123</u>	<u>8,020,123</u>

Note 7 – Restricted Net Position/ Fund Balance Classifications

Restricted net position represent amounts required to be maintained to satisfy third party agreements or legal requirements. On June 30, 2013 the City’s enterprise funds held \$1,443,704 restricted for future system improvements and bond payments.

Pursuant to GASB No. 54 (see Note 1, *Equity Classifications: Fund Financial Statements*) the governmental fund balances are classified as follows:

Restricted fund balance – \$340,249 for future roads, parks and other projects.

Assigned fund balance – \$221,058 for future capital projects.

The remaining fund balance is unassigned.

Note 8 – Pension Benefit Obligations

The City contributes to the Local Government Contributory Retirement System-Tier 2 and the Local Governmental Noncontributory Retirement System-Tier 1 cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirements System (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

NIBLEY CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 8 – Pension Benefit Obligations (continued)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory and Noncontributory Retirement Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

In the Local Government Contributory Retirement System-Tier 2, the City was required to contribute 12.74% of the eligible employees' annual covered salary. In the local Governmental Noncontributory Retirement System, the City is required to contribute 16.04% of eligible employees' annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions to the Contributory Retirement System-Tier 2 for the years ended June 30, 2013, 2012 and 2011 were \$18,224, \$17,500, and \$0, respectively.

The City contributions to the Noncontributory Retirement System for the years ended June 30, 2013, 2012, and 2011 were \$68,457, \$65,833, and \$58,796, respectively.

All contributions by the City were paid by the due dates or within 30 days thereafter and were equal to the required contributions for each year.

The City also sponsors a 401(k) deferred compensation arrangement through the Utah State Retirement System for all eligible employees. The City contributed \$12,782 to this plan during the year ended June 30, 2013, and the employees contributed \$12,782.

Note 9 – Prior Period Adjustment

Revenues for the General Fund were understated for the year ending June 30, 2012. Consequently, prior year ending net position and fund balance were understated by this same amount. Net position and fund balance were increased by \$96,170 to correct the effects of this oversight.

REQUIRED SUPPLEMENTARY INFORMATION

NIBLEY CITY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property tax	\$ 334,888	334,888	405,608	70,720
Sales tax	475,000	475,000	530,416	55,416
Franchise and other taxes	246,400	246,400	239,623	(6,777)
Licenses and permits	76,000	76,000	169,652	93,652
Charges for services	627,977	627,977	646,748	18,771
Fines and forfeitures	60,000	60,000	81,023	21,023
Intergovernmental	155,128	155,128	202,692	47,564
Miscellaneous revenues	99,520	99,520	298,771	199,251
Total revenues	<u>2,074,913</u>	<u>2,074,913</u>	<u>2,574,533</u>	<u>499,620</u>
Expenditures:				
Legislative	40,355	40,355	34,516	5,839
Court	53,500	53,500	62,852	(9,352)
Administrative	327,710	327,710	327,407	303
Legal	17,000	17,000	7,599	9,401
Public Works	144,390	144,390	140,299	4,091
Non-departmental	122,000	122,000	121,986	14
Public safety	206,520	206,520	179,369	27,151
Streets and public improvements	343,668	343,668	327,750	15,918
Sanitation	325,000	325,000	324,748	252
Shop expenses	94,000	94,000	84,023	9,977
Planning and zoning	83,860	83,860	83,814	46
Parks and recreation	288,810	288,810	238,877	49,933
Community development	28,100	28,100	34,614	(6,514)
Total expenditures	<u>2,074,913</u>	<u>2,074,913</u>	<u>1,967,854</u>	<u>107,059</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>606,679</u>	<u>606,679</u>
Total other financing uses - Transfers	<u>-</u>	<u>-</u>	<u>(65,012)</u>	<u>-</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing sources	<u>\$ -</u>	<u>-</u>	<u>541,667</u>	<u>606,679</u>
Fund balance - beginning of year, as originally stated			504,128	
Prior period adjustment			<u>96,170</u>	
Fund balance - beginning of year, as corrected			<u>600,298</u>	
Fund balance - end of year	\$		<u><u>1,141,965</u></u>	

See Independent Auditor's Report.

GOVERNMENTAL AUDIT REPORT

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and City Council
Nibley City
Nibley, Utah

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities, business-type activities, and each major fund of Nibley City (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Nibley's basic financial statements and have issued my report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) to determine the procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies listed in the accompanying schedule of findings and responses to be material weaknesses.

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MATTHEW REGEN, CPA, PC

A handwritten signature in blue ink that reads "Matthew Regen, CPA, PC". The signature is written in a cursive style.

December 16, 2013

STATE COMPLIANCE REPORT

Independent Auditor's Report on Compliance and on Internal Controls Over
Compliance in Accordance with the State of Utah Legal Compliance Audit Guide

To the Honorable Mayor and City Council
Nibley City
Nibley, Utah

Report on Compliance

I have audited Nibley City's (the City) compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

The general compliance requirements applicable to the City are identified as follows:

- Cash Management
- Budgetary Compliance
- Fund Balance
- Justice Courts
- Impact Fees
- Utah Retirement Systems
- Government Records Access Management Act
- Conflicts of Interest
- Nepotism

The City received the following major assistance programs from the State of Utah:

- B&C Road Funds (Department of Transportation)

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the City's management.

Auditor's Responsibility

My responsibility is to express an opinion on the City's compliance based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide*

require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the City and its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the City's compliance with those requirements.

Opinion

In my opinion, Nibley City, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2013.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in the accompanying schedule of findings and responses.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing my audit, I considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, I do not express an opinion of the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Nibley's Responses to Findings

Nibley's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, I express no opinion on the response.

Purpose of Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MATTHEW REGEN, CPA, PC

A handwritten signature in blue ink that reads "Matthew Regen, CPA, PC".

December 16, 2013

NIBLEY CITY
SCHEDULE OF FINDINGS AND RESPONSES – CURRENT YEAR
FOR THE YEAR ENDED JUNE 30, 2013

Finding 13-1

Criteria: The Government Accountability Office (GAO) requires a system of internal controls that safeguards assets, provides for accurate reporting, and ensures compliance with rules and regulations.

Condition: Nibley's system of internal control does not meet all of the requirements of the GAO. Accounting personnel do not always maintain proper segregation of duties. Due to limited staff, accounting personnel often have custody of City assets *and* perform record keeping duties. Accurate and timely financial statements were not always available for City officers during the year. Material audit adjustments were made to the financial statements.

Effect: The City has some material weaknesses in its system of internal controls.

Cause: The City has limited accounting staff, due to limited resources. In addition, the accounting personnel lack training on governmental accounting rules and the preparation of financial statements in accordance with accounting standards.

Recommendation by auditor: The City should hire additional accounting personnel with experience in governmental accounting to assist in financial reporting and to provide segregation of duties for recordkeeping and custody of City assets.

Response from Management/Corrective Action Plan: In November of 2013 the City hired an outside accountant, with extensive experience in governmental accounting, to assist with monthly and annual reporting, compliance, provide monitoring activities, etc. The City feels that this new accountant will allow them to have accurate and timely reporting and proper segregation of duties.

NIBLEY CITY
SCHEDULE OF FINDINGS AND RESPONSES – CURRENT YEAR
FOR THE YEAR ENDED JUNE 30, 2013

Finding 13-2

Criteria: Utah statutes require that elected and appointed officials of any governmental entity shall not incur expenditures in excess of the total appropriations for any department in the General Fund or any other fund in total.

Condition: The Justice Court and Community Development departments of the General Fund incurred expenditures in excess of appropriations for the year ended June 30, 2013.

Effect: The General Fund of the City was not in budgetary compliance *for several departments* for the year ended June 30, 2013.

Cause: The City's officials did not receive accurate and timely financial reports showing expenditures and appropriations during the year. Therefore, they were unaware that expenditures exceeded appropriations in several departments.

Recommendation by auditor: The City should provide accurate and timely financial reports to its officials throughout the year. Officials should amend the appropriations for their departments prior to incurring excess expenditures.

Response from Management/Corrective Action Plan: In November of 2013 the City hired an outside accountant, with extensive experience in governmental accounting, to assist with monthly and annual reporting, compliance, provide monitoring activities, etc. The City feels that this new accountant will allow them to have accurate and timely reporting, which will inform officials of the need to make appropriate adjustments.

NIBLEY CITY
SCHEDULE OF FINDINGS AND RESPONSES – CURRENT YEAR
FOR THE YEAR ENDED JUNE 30, 2013

Finding 13-3

Criteria: Utah statutes limit the amount of unrestricted General Fund balance to 25% of the total estimated future revenues of the General Fund.

Condition: The City accumulated more unrestricted General Fund balance than allowed by statute.

Effect: On June 30, 2013 the amount of unrestricted General Fund balance is more than allowed by Utah statute.

Cause: The City's officials did not receive accurate and timely financial reports showing unrestricted General Fund balance during the year. Therefore, they were unaware that they had accumulated more than the allowed amount.

Recommendation by auditor: The City should provide accurate and timely financial reports to its officials throughout the year. Officials should increase City expenditures or transfer unrestricted General Fund balance to the Capital Projects Fund to ensure that the accumulated balance is within State guidelines.

Response from Management/Corrective Action Plan: In November of 2013 the City hired an outside accountant, with extensive experience in governmental accounting, to assist with monthly and annual reporting, compliance, provide monitoring activities, etc. The City feels that this new accountant will allow them to have accurate and timely reporting, which will inform officials of the need to make appropriate adjustments.

NIBLEY CITY
SCHEDULE OF FINDINGS AND RESPONSES – PRIOR YEAR
FOR THE YEAR ENDED JUNE 30, 2013
(Prepared by previous auditor)

INTERNAL CONTROL OVER FINANCIAL REPORTING

SIGNIFICANT DEFICIENCY

12-01 PAYROLL PROCESSING FINDING:

Our testing of payroll records, including timesheet review and preparation of payroll, indicates that the controls in this area are ineffective.

RECOMMENDATION:

We recommend that the City Council re-evaluate the policies regarding payroll hours, comp time limits and use, and supervisory review of the system. Internal controls should be in place with the payroll system to ensure that the proper hours are being paid and overtime and comp time are supervised, approved and in accordance with City policy.

RESPONSE:

The City is outsourcing the payroll function. This will take place beginning January 1, 2013.

STATUS:

On June 30, 2013, this was not a finding.

12-02 BANK RECONCILIATION

FINDING:

During our cash testwork, we noted that the City does not prepare bank reconciliations for the justice court bank account. Preparing bank reconciliations for all City accounts is a necessary function and important step in the internal control of the City. Without preparing bank reconciliations for the justice court bank account, the City is not verifying the justice court activity to the bank records. We also noted that the justice court has a \$200 change fund that is not recorded on the City's accounting records. The change fund needs to be reconciled on a monthly basis along with the bank reconciliation.

RECOMMENDATION:

We recommend that the City prepare monthly reconciliations for the justice court checking account and also record the \$200 change fund on the City's records. This will ensure that the City has a proper accounting record for the justice court checking account and change fund and is also reviewing the activity in these accounts.

RESPONSE:

The City agrees and will implement immediately.

NIBLEY CITY
SCHEDULE OF FINDINGS AND RESPONSES – PRIOR YEAR
FOR THE YEAR ENDED JUNE 30, 2013
(Prepared by previous auditor)

INTERNAL CONTROL OVER FINANCIAL REPORTING (continued)

12-02 BANK RECONCILIATION (continued)

STATUS:

On June 30, 2013, this was not a finding.

12-03 CAPITAL ASSETS

FINDING:

We found that the City does not have formalized capital asset records. The City's policies include the capitalization and depreciation policies but the City does not maintain capital asset records. The outside consultants or the external auditors have been asked to process these schedules for depreciation purposes based on the City's approved policies. As the City grows and as it continues to develop internal control systems, it is imperative that the City maintain its own capital asset records so that management can track the City's assets and can develop a capital asset replacement plan.

RECOMMENDATION:

We recommend that the City correct this finding as soon as possible. It is imperative that the City develop a control system to account for and monitor capital assets and develop a capital asset replacement plan.

RESPONSE:

Management agrees and will discuss developing or purchasing a means of tracking the City's assets.

STATUS:

On June 30, 2013, this was not a finding.

12-04 BUILDING DEPOSITS

FINDING:

We found that the City did not reconcile the building deposit payable account in the general ledger with the subsidiary records. Because the City did not reconcile this account, a material audit adjustment was made.

NIBLEY CITY
SCHEDULE OF FINDINGS AND RESPONSES – PRIOR YEAR
FOR THE YEAR ENDED JUNE 30, 2013
(Prepared by previous auditor)

INTERNAL CONTROL OVER FINANCIAL REPORTING (continued)

12-04 BUILDING DEPOSITS (continued)

RECOMMENDATION:

We recommend that the City reconcile the building deposit subsidiary payable account with the general ledger on a monthly basis. If not monthly, then the City needs to reconcile the account at least quarterly to avoid significant adjustments.

RESPONSE:

Management agrees and will implement policies and procedures regarding reconciliation of the building deposit account so this does not happen in the future.

STATUS:

On June 30, 2013, this was not a finding.

STATE AND OTHER LEGAL COMPLIANCE ITEMS

12-05 UNCLAIMED PROPERTY

FINDING:

Utah Code, Section 67-4a-210 and 301 indicates that all government entities holding intangible property for more than one year after the property becomes payable or distributable must report and remit the property to the State Treasurer's Office, Division of Unclaimed Property, by November 1 of each year. We noted that the 2012 report was not filed as of the audit date.

RECOMMENDATION:

We recommend that the City file the 2012 report as soon as possible and implement policies to ensure timely filing in the future.

RESPONSE:

Management agrees and will implement policies and procedures in order to file the necessary report in, a timely manner in the future. The 2012 fiscal year report is in the process of being prepared.

STATUS:

On June 30, 2013, this was not a finding.

NIBLEY CITY
SCHEDULE OF FINDINGS AND RESPONSES – PRIOR YEAR
FOR THE YEAR ENDED JUNE 30, 2013
(Prepared by previous auditor)

STATE AND OTHER LEGAL COMPLIANCE ITEMS (continued)

12-06 CASH MANAGEMENT

FINDING:

Utah Code, Section 51-7-15 mandates that every public treasurer shall secure a fidelity bond, based on the previous year's budgeted gross revenues, which includes all funds collected or handled by the public treasurer. We noted that the amount of the treasurer's bond is not sufficient.

RECOMMENDATION:

We recommend that the City monitor their budget and set up procedures to ensure that the amount of the treasurer's bond is sufficient based on the Utah State statute.

RESPONSE:

Management agrees and has taken steps to ensure the amount treasurer's bond is sufficient.

STATUS:

On June 30, 2013, this was not a finding.